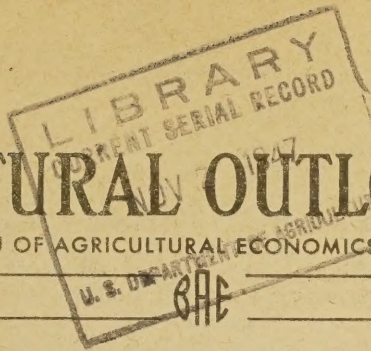


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The AGRICULTURAL OUTLOOK DIGEST

BUREAU OF AGRICULTURAL ECONOMICS, U. S. D. A

WASHINGTON, D. C.

OCTOBER 1947

The third round of general price increases since the summer of 1946 is still under way.

In the third week of October, wholesale prices of all commodities, according to BLS index, were 5 percent above July. The advance was general but foods rose the most.

Retail prices also are continuing upward. The BLS index for August was up 1 point from July. Reports from stores patronized by farmers indicate further increases in September and October.

Prices received by farmers rose 3 points to 289 in October, another new record. Among prices moving up were those for truck crops, wheat, rice, hogs, cottonseed, flaxseed, oranges, wholesale milk and eggs. Prices were lower for beef cattle, lambs, corn, grapefruit, sweetpotatoes, butterfat and cotton.

Prices, interest and taxes paid by farmers also reached a new high in October when the index was 239, 1 point above the revised September figure. The parity ratio--prices received divided by prices paid--was 121, up one point from September.

Present general price advance is less rapid than the other two that have occurred since the summer of 1946. However, the persistent upward pressure indicates danger of further inflation is not past.

High levels of business and industry continue to provide strong demand for farm products. Civilian employment in October, according to Commerce Department estimates, was 59.2 million, slightly more than in September. Unemployment was 1.7 millions, down a little from September. Industrial production, as measured by Federal Reserve Board index, climbed to 185, 8 points above year's low in July and only 5 below the peacetime record in March.

Personal incomes in August were at an annual rate of 194.4 billion dollars, down 1.7 billions from the July record. Loss was due to fall in marketings of farm products. August salary and wage payments hit a record annual rate of 122.1 billion dollars, almost a billion above July. Dollar sales at Department stores rose 3 percent from August to September.

Farmers received about 24.1 billion dollars from sales of their products in the first 10 months of this year, a fourth more than in the same period of 1946. Receipts from livestock and products were 13.9 billions, 30 percent above 1946; those from crops totaled 10.2 billions, up 21 percent from last year.

FARM COSTS Since 1939, farmers' costs have been climbing from 9 to 25 percent a year and are now the highest in history. Some further rise is expected for 1948. The outlook for specific items:

Farm labor--Farm wage rates have averaged about 8 percent higher this year than in 1946 when they were 321 percent of the prewar average. Wages in 1948 probably will continue near 1947 level.

Farm machinery--More new machines are likely to be available than in any previous year. More new-type tractors for small farms are expected to be on the market. Prices for machinery will continue high. So will operating costs.

Feed--Supply of concentrates per animal unit in 1947-48 feeding season will be about 11 percent below last year. Feed prices may not hold at recent records but will be high through winter. Livestock-feed ratios will continue less favorable than in recent past.

Seeds--Production and stocks of seeds this year were below 1941-45 averages. Demand will continue strong and prices are likely to stay high.

Fertilizer--Supplies for year ending June 30, 1948, are expected to be 5 to 10 percent above previous year. Prices will be higher in first half of 1948 than a year earlier but not enough to discourage increased use of fertilizer.

Building supplies--Supplies of lumber and most other items have been improving. Outlook for 1948 is fairly promising.

Other Supplies--In general, supplies of tin cans, wood containers, paper, open mesh and cotton bags, insecticides and fungicides will be as large or larger than this year. Prices in early 1948 will be about the same as at present.

Land values and rentals--U. S. land values this summer were only 5 percent below 1920 peak. Rentals are highest in history and more than double prewar.

Cost reduction will be one of most promising ways for a farmer to maintain or increase his income in 1948. It will pay farmers to: 1. select and cull livestock carefully; 2. substitute roughage and pasture for concentrate feeds and high protein feeds for grains; 3. use proper amounts of fertilizer; 4. increase use of labor-saving equipment; 5. use better varieties of seeds; 6. improve insect and disease control.

LIVESTOCK AND PRODUCTS Prices of hogs and fed cattle set new records in mid-October. Those of grass fat cattle, veal calves and lambs declined below early September peaks. Meat and meat animal prices probably will decline through early winter; then rise as slaughter tapers off.

Meat output for fourth quarter of 1947 probably will be smallest for season since 1942.

Egg prices rose less than usual from September to October but were well above a year earlier. Chickens declined in October but turkeys have been increasing. Both chicken and turkey prices may increase in next few months.

Butter and cheese prices are below levels reached after price controls ended last fall but fluid milk is slightly higher. Prices will decline from November on as production turns seasonally upward but probably not as fast as last year.

FEED GRAINS Prices of corn declined less than usual in the first half of October. Except for oats, all other feed grains edged downward. Reduced supplies and strong demand are expected to hold feed grain prices high this winter and spring. Grain and byproduct feeds will be above the average for all feeds while protein feeds and hay will be lower.

During July-September, domestic disappearance of feed grains was about as large as in 1946 and well above average.

WHEAT Strong demand and lack of rain in important areas of the Southwest pushed wheat prices to record levels. At Kansas City number 2 hard winter wheat was \$3.06 on October 23 compared with the season's low of \$2.10 on July 7. Late in October, however, prices dropped moderately.

On October 1, U. S. wheat stocks were 1,142 million bushels, down 349 million from July 1. About 290 million bushels were exported or used for food and seed. About 60 million were fed livestock.

FATS AND OILS Prices of most fats and oils climbed rapidly in September partly because of improved export prospects. Prices remained high in October.

FRUITS AND VEGETABLES Demand for fresh vegetables will stay strong through the winter and spring. Commercial production for fresh market in October-December is about a fifth below last year and prices to growers are expected to stay well above the same quarter last year.

Supplies of canned and frozen vegetables for fall and winter probably will be about as large as last year.

Farmers' prices for potatoes in November and December are expected to be a fourth above the same months of 1946. Heavy marketings of sweetpotatoes in September and October caused prices to drop to support level. After storage of this year's short crop is completed, prices are expected to average well above the support level.

Prices of most fresh fruits in November-December are expected to hold near those of a year earlier. Except for eastern grown apples, supplies will be about as plentiful as in 1946.

COTTON AND WOOL After declining almost steadily for three months, cotton prices turned upward in early October. In the 10 spot markets, middling 15/16 inch averaged 33.19 cents per pound on October 23 compared with peak of 39.35 cents in mid-July. Rise was partly due to lower October estimate for new crop.

During six months ending August 31, 811 million square yards of cotton fabrics were exported; considerably more than in any other half year.

Wool prices in foreign markets were generally firm in September and early October. Because of high prices for fine wools abroad, U. S. mills continued to buy most of their fine wool in this country. CCC sales of wool in September and the first half of October were substantial but may not have reached record of the same period last year.

Tobacco leaf exports in September were about 3 percent below a year earlier. Shipments to the United Kingdom were down a fourth.

In early October, flue-cured prices generally were higher than in the first weeks of the season, but declined by the middle of the month. Sales of types 11-13 at auctions during the two weeks ending October 24 averaged 42.3 cents per pound, compared with the 1946 season average of 47.8 cents.